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UNCLAS SECTION 01 OF 07 HANOI 000225

SIPDIS

SENSITIVE
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FOR A/S HILL FROM AMBASSADOR MICHALAK

STATE FOR EAP/MLS

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SUBJECT: SCENESETTER FOR ASSISTANT SECRETARY HILL VISIT TO VIETNAM

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Summary and Introduction

11. (SBU) Ambassador Hill: Mission Vietnam looks forward to welcoming you back to Hanoi. Your visit is well timed to focus Vietnamese leaders on the importance we attach to strengthening and deepening our bilateral relationship in the year ahead, especially after bad weather in China forced the last-minute cancellation of Deputy Secretary Negroponte's visit to Vietnam last month. Overall, the

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U.S.-Vietnam relationship continues to broaden and mature, and the transformation of the economic, social and technological landscape continues to create "space" for Vietnam's people, including a greater ability to be heard. The young generation is increasingly networked, and does not harbor the deep anti-Americanism we find in some of their older compatriots. Indeed, the United States is viewed by the majority of Vietnamese as a key partner in Vietnam's current and future success. We are finding opportunities to influence developments here, responding to Vietnam's own interest in globalization, reform of economic governance, combating corruption, progress toward improvement in overall governance, and enhancing educational opportunities for its people.

12. (SBU) There is much to discuss. Vietnam's economic successes have translated into greater international clout, especially in the region. Vietnam's role as a non-permanent member of the UN Security Council has raised its international profile. Hanoi is not fully sure how to handle all the attention, but understand that the United States has - and is - playing a direct role in creating the conditions for their nation's success. Leaders here are thankful, in particular, for the key technical assistance we've given over the past seven years in reforming the system of economic governance.

13. (SBU) Challenges of course remain. GVN leaders argue that maintaining the Party's preeminent political role is critical to preserving stability. Conservatives still seek to use issues like Agent Orange, as well as other "war legacy" issues, to put the United States in a bad light. China remains Vietnam's critical strategic preoccupation, and this can complicate our efforts to engage in some key areas. At the same time, Vietnam's leaders also realize that the United States is an important force in maintaining a stable geopolitical environment in which even "small" countries like Vietnam are assured their independence and freedom of action. As Vietnam continues its rapid economic and social transition, many Vietnamese view the strength of its relations with the United States as a key indicator of how much progress has been made in leaving the dark days of the 1970's and 1980's behind. For these reasons, Vietnam's leaders are committed to continued progress in bilateral

relations and will likely speak positively and optimistically about the future of U.S.-Vietnam ties.

14. (SBU) One of the key drivers for the substantial enhancements in our relationship over recent years has been the top-level visit. Since 2005, there has been one formal visit between involving either the Vietnamese Head of State or Head of Government with President Bush each year. These have definitely proven their worth in spurring positive changes in Vietnam, as well as in pinning down those in Vietnam who might otherwise work to sidetrack or limit those advances. The White House has invited Prime Minister Nguyen Tan Dung to Washington in 2008. We are working to confirm the Prime Minister's intention to come and to settle upon dates.

The Economy, WTO and Investment

15. (SBU) Vietnam's dynamic economy grew by 8.5% in 2007 and has averaged over 7.5% for the past decade. Per capita annual income jumped from about \$220 in 1993 to over \$800 in 2007. Since 1986, the Vietnamese government has continued to implement an economic reform program known as "Doi Moi" (renovation). As a result, effective market-oriented policies have improved the quality of life for many Vietnamese and have succeeded in slashing the poverty rate from 58% in 1993 to well under 25% today. Increased trade and foreign direct investment have been key drivers in Vietnam's economic growth. Vietnam formally acceded to the WTO as its 150th member on January 11, 2007. While its chief exports are crude oil, apparel, footwear and aquatic products, Vietnam is also increasing its exports of furniture, machinery, cameras, computers, printers, consumer electronics, coffee, rice and other diverse products. The United States is currently Vietnam's third largest overall trade partner (behind China and Japan), but remains its largest export market. The GVN still needs to meet the challenges of expanding infrastructure, increasing energy production, stamping out corruption, transforming state-owned enterprises (SOEs) into more competitive entities, improving worker and professional skills, implementing WTO commitments, and maintaining the course of reform.

Humanitarian and Technical Assistance

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16. (SBU) Since 1995, U.S. Agency for International Development (USAID) programs have provided aid in legal reform, governance, economic growth, HIV/AIDS, environmental protection and disaster prevention. For FY 2007, total U.S. aid from all agencies was about USD 86.6 million, the bulk of which has gone towards providing health-related assistance, notably in the area of HIV/AIDS treatment and prevention and the fight against avian influenza. Vietnam is one of fifteen countries in the President's Emergency Plan for AIDS Relief (PEPFAR). The United States provided USD 65 million in FY 2007 to expand integrated HIV/AIDS prevention, care and treatment programs. The FY 2008 expenditure has increased to around \$88 million. Since 2000, DOD has supported a wide variety of Overseas Humanitarian, Disaster and Civic Aid (OHDCA) projects in Vietnam. Additionally, USPACOM has facilitated multiple donations of excess medical property to various medical facilities throughout Vietnam.

7.(SBU) Since 1998, U.S. Centers for Disease Control and Prevention(USAID) has had a presence in Vietnam. From 1998, CDC provided technical assistance for programmatic implementation, training, disease surveillance, and program monitoring for HIV/AIDS. Since 2005, CDC has provided in-country technical support for influenza surveillance, rapid response, and emergency disaster planning. CDC has also provided technical assistance for emergency outbreak response for diseases including SARS.

18. (SBU) U.S. assistance in areas other than HIV/AIDS remains very modest in relation to spending in smaller neighboring nations, but increased substantially in FY08 from that low base to over \$10 million due to earmarks for governance programming and demining. The Administration's FY09 request roughly equals the total for FY08. To a large degree, the FY08 earmarks reflect a recognition that

several U.S. programs are having a profound impact here. The "STAR" (Support for Trade Acceleration) program, for example, has played a major role in helping Vietnam to reshape its trade and commercial laws and regulations. While initially established to help Vietnam comply with its obligations under the 2001 Bilateral Trade Agreement, STAR also played a critical role in Vietnam's preparations for WTO membership and its broader entry into the global economic system. Another relatively small program, the Vietnam Competitiveness Index (VNCI), is having a profound impact on promoting good economic governance domestically by providing a quantitative measure of the impact of governance and rule of law on economic development. Provinces' rankings on the annual VNCI report are closely watched and leaders of provinces that score well have a particularly good chance of being promoted to more senior positions in Hanoi. VNCI also provided the Prime Minister's Office with key support in developing an "economic guillotine," which is designed to greatly cut red tape at the provincial level. If successful, this program will have a huge positive impact on governance throughout the country.

¶9. (SBU) Through a combination of Fulbright grants and the Vietnam Education Foundation (VEF), an innovative program created through legislation to facilitate the training of Vietnamese scientists, the United States is now sponsoring well over 200 students for graduate study in the United States. The VEF was established with the unpaid proceeds of loans extended to the old South Vietnamese government. Another important activity is the Fulbright Education Training Program (FETP), through which 70 mid-level Vietnamese professionals receive in-country training in economics and public policy each year in a program run by Harvard University. Today, nearly 1,000 FETP alumni are working in government and private sector positions throughout the nation.

¶10. (U) I hosted an Education Conference in Hanoi January 24-25 to help spur forward both public and private American efforts in education in Vietnam. The Conference was a forum for American universities, companies, NGOs and USG-funded educational programs to generate ideas and action plans about how best to meet three principal goals: a significant increase in the flow of Vietnamese students to the United States, more and deeper linkages between American and Vietnamese universities, and higher quality of human resources in the pool from which American companies in Vietnam hire. Over 200 participants attended, including representatives of some of the largest U.S. companies operating here. Collectively, we have built momentum toward achieving our three objectives that I will work to maintain.

UNSC and Global Security Issues

¶11. (SBU) Vietnam's UNSC membership creates a window of opportunity to encourage Vietnam to speak out in a constructive way on global security issues, and to help Hanoi distance today's Vietnam from the

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NAM and Communist-Bloc focus driving its old-style foreign policy. We have been proactive here and in Washington in educating GVN leaders and officials on Burma, North Korea and Iran, where in the past it has been unwilling to engage constructively with us due to "traditional friendship" and non-interference. Despite repeated demarches the GVN has so far this year, Vietnam lined up against our positions in UNSC debates on Burma and Kosovo. You will want to note this, and call on Hanoi to engage more constructively with us as we move forward.

¶12. (SBU) As it raises its profile on the world stage, Hanoi has expressed a general willingness to prepare its military for participation in UN peacekeeping operations at some point in the future. At the same time, the GVN has proven reluctant to engage with us bilaterally on training, despite our invitation to participate in PKO training through the Global Peace Operations Initiative. A key factor in Hanoi's reluctance is that such engagement will set a precedent for security cooperation that requires difficult internal negotiations and decisions. Additionally, the GVN lacks a recent precedent for military engagement beyond Vietnam's borders, which would reportedly require

legislative action to authorize. We emphasize that taking the first steps toward PKO training does not require a commitment on Hanoi's part, and are still hopeful that Vietnam will participate in GPOI beginning later this year.

¶13. (SBU) Vietnam says the right things about the threat of global terrorism and has participated with us in modest cooperative activities. During President Bush's visit in 2006, the President and his Vietnamese counterpart pledged to increase cooperation to halt the proliferation of weapons of mass destruction and related technology and materials in accordance with international and national laws and each country's capacities. The United States provides counterterrorism assistance to Vietnam by funding Vietnamese participation in counterterrorism-related training at the International Law Enforcement Academy (ILEA) in Bangkok, and through military-to-military exchanges with an emphasis on counterterrorism themes. Vietnam has signed eight out of thirteen UN terrorism conventions. Approval of the remaining five is winding its way through the cumbersome GVN bureaucracy, the delay explained in part by GVN concern with its capacity to carry out obligations under the conventions. Two of the remaining conventions are reportedly in the final stages of GVN approval, while the status of the other three remains unclear.

Challenges on Human Rights

14.(SBU) While we share common views with the GVN in many areas, differences over human rights remain, and lingering fears that the United States supports the overthrow of the current regime continue to complicate the relationship. The existence of groups in the United States and elsewhere that continue to explicitly advocate regime change helps generate negative charges by conservatives here which stoke a lingering paranoia that we are indeed still "the enemy." Reassuring the GVN that the USG does not support separatist groups can assist in building a better human rights dialogue based on mutual trust.

¶15. (SBU) Serious deficiencies related to human rights in Vietnam include lack of freedom of speech, freedom of assembly and freedom of the press. One of our key objectives is to end the use of catch-all "national security" provisions such as Article 88 of the GVN criminal code, which prohibits "conducting propaganda against the State." The U.S. Mission tracks approximately 50 individual cases of prisoners of conscience and activists under various forms of house arrest, surveillance, and/or harassment. We continue to call for the release of all prisoners of conscience and freedom of peaceful expression of political views, but where we see individuals expressing their political opinions, many of our government interlocutors see "lawbreakers" trying to destabilize the regime.

¶16. (SBU) Perceptible progress is, however, being made. Key Vietnamese leaders are committed to enhancing governance establishing the rule of law, and combating corruption, all critical in building guarantees of individual freedoms. Vietnam's leading newspapers are more aggressive in terms of the types of news they publish and their willingness to push back against censors. Only a few years ago, any protest resulted in swift and severe police action. Over this past year, various peaceful protests occurred involving issues such as land rights, opposition to Chinese territorial claims, and demands for the return of Catholic Church property, with one stretching out for a month before it finally ended peacefully. With regard to religious freedom, Vietnam has made surprising progress, in large part due to the intensive engagement of Ambassador Hanford over recent years. More needs to be done, but the country no longer qualifies as a particularly

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severe violator of religious freedom under our legal definition and we removed the nation from the list of countries of particular concern in late 2006.

More on Vietnamese Concerns About China

¶17. (SBU) While Vietnam's engagement with the United States will

continue to broaden, China necessarily constitutes Vietnam's most important strategic preoccupation. This is not to say that Vietnam is "choosing" China over the United States; the situation is much more complex than that. For starters, Vietnam's leadership is sophisticated enough to realize that relations with China and the United States do not represent a zero sum game; it is possible to have good relations with both. Each relationship also creates challenges, however. While China constitutes a vital and necessary commercial partner and former ally, it is also perceived as a significant and frustrating constraint to Vietnam's freedom on action.

¶18. (SBU) Chinese bullying of foreign companies in an attempt to compel them to cease oil and gas exploration efforts in the South China Sea serves to remind Vietnamese officials that while the Vietnamese may not approve of all U.S. policies, the same is certainly true of Chinese actions. While progress has been made in settling the land border, there is no commonality of views on sovereignty issues regarding the South China Sea, known as the "East Sea" to the Vietnamese. Hanoi is also "riding the tiger" with regard to managing the deep negative views toward China of many Vietnamese. China is widely disliked and distrusted as a former colonial master, and Beijing's actions in the Spratlys and Paracels threaten to inflame those passions. Should Hanoi allow unconstrained protests against the Chinese, however, it would appear weak in the face of calls to action that it could not satisfy, as well as risking Beijing's anger.

¶19. (SBU) On security matters, China looms large. There is an understandable GVN caution with regard to China's potential reaction to enhancements in Vietnam's cooperation with the United States. U.S.-Vietnam cooperation in the security field is also constrained by an institutional conservatism born of concern over "peaceful evolution" as a real threat to the regime, as well as by an ingrained caution on the part of Vietnam's military in the face of relative power calculations vis-a-vis China.

Gradual Progress in Defense Cooperation

¶20. (SBU) Defense relations have nonetheless advanced at a measured pace, and have actually come quite far if viewed over the past decade. We are in year three of a new IMET program, and we now have professional military exchanges with the People's Army of Vietnam (PAVN) in a limited but growing range of areas including military law, military nursing, public affairs, search and rescue, meteorological/ oceanographic (METOC) prediction, and disaster preparedness. Since 2003, U.S. Navy ships have made five port visits to Vietnam, including most recently a November 14-18 visit by two mine countermeasures ships, the USS Guardian and the USS Patriot, at Haiphong port. The USS Mercy is set to visit Nha Trang this spring on a humanitarian mission, following the very successful, similar visit by the USS Peleliu last summer. Reaching our full potential for closer cooperation in defense activities, including multilateral peacekeeping, humanitarian assistance efforts and attendance at U.S. military schools is attainable, but will require time, persistence and patience, and a lot of hard work.

Fullest Possible Accounting

¶21. (SBU) Predating the re-establishment of diplomatic relations and normal defense contacts, U.S. military and DoD elements continue their efforts toward the fullest possible accounting of Americans missing from the Vietnam Conflict. Since 1988, the Joint POW/MIA Accounting Command (JPAC), a USPACOM subordinate element, has evolved to include forward Detachments in Vietnam, Laos, and Thailand/Cambodia. With its Vietnam Detachment (Det 2), it has completed 90 Joint Field Activities (JFA), which incorporated extensive research, interviews, analysis, and excavations in order to accomplish its mission. From its inception, Det 2 has forged good relations with its GVN counterparts. Ultimately, JPAC's efforts in Southeast Asia have resulted in accounting for 880 Americans previously listed as MIA; 1766 remain missing throughout Southeast Asia.

¶22. (SBU) An area of heightened bilateral cooperation is the undertaking of investigation and recovery efforts at sea. During

the Vietnam Conflict, more than 400 American aviators were lost in

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the waters off the coast of Vietnam. While the majority of those Americans were declared dead and their remains deemed not recoverable, JPAC continues to conduct underwater investigation and survey activity when information obtained and validated has the potential to lead to a recovery. This is a resource-intensive endeavor. In December, 2006 the GVN gave its approval for the use of U.S. naval vessels to operate within their territorial waters in order to enhance JPAC's underwater investigations towards the identification of potential recovery sites.

Consequences of War

¶23. (SBU) In your meetings, you may hear references to "consequences of war" or "legacies of war" issues, especially given the recent U.S. Court of Appeals decision to dismiss the lawsuit against American chemical companies. In addition to Agent Orange(AO)/Dioxin, however, "legacy" issues include unexploded ordnance (UXO) and land mines from the war era and the recovery of missing Vietnamese military personnel.

¶24. (SBU) On Agent Orange, while scientists and GVN officials continue to debate the human impact of the 80 million liters of AO sprayed over 2.6 million hectares and 3,000 hamlets in Vietnam, recent GVN-approved studies reveal that Dioxin contamination is not widespread, but rather is concentrated in roughly 20 "hotspots." Former U.S. bases, from which Operation Ranch Hand missions were staged and AO was stored, have soil dioxin concentrations exceeding concentration levels recommended by the U. S. Environmental Protection Agency (EPA) and World Health Organization, while other areas thought to be targets of heavy aerial spraying do not currently have soil concentrations considered hazardous to health.

¶25. (SBU) Much has been accomplished recently in turning a new leaf on the AO/Dioxin issue with regards to government-to-government relations and changing the tone of the dialogue both in meetings and in the press. Beginning in 2006, the State Department and EPA provided USD 400,000 in technical assistance to the GVN's Office 33 and MOD's Chemical Command for remediation planning and immediate interventions at the Danang airport. Congress appropriated an additional USD 3 million in Economic Support Funds (ESF) for "dioxin mitigation and health activities," thereby helping Vietnam to remediate areas with demonstrably high levels of dioxin and assist those with disabilities. This follows four years of USG support to build the capacity of the Vietnam Academy of Science for analysis of contaminated soils and sediment. The USG is continuing to work together with the GVN, UNDP, Ford Foundation and other NGOs to discuss the next steps in the environmental remediation of three priority hotspots in Danang, Hoa Binh and Phu Cat airfields.

¶27. (SBU) Since 1989, USAID, through support from the Patrick J. Leahy War Victims Fund (LWVF) and other sources, has provided over USD 43 million to support NGOs and private voluntary organizations to develop comprehensive programs for people with disabilities. In addition, since 1993 the USG has been actively involved in assisting the people of Vietnam in overcoming the social and economic impacts of remaining UXO from the war. Vietnam was formally accepted as the 37th participant in the U.S. Humanitarian De-mining Program in June 2000, and the USG is now the largest donor of humanitarian assistance for mine action programs in Vietnam. The USG has invested over USD 37 million in a broad spectrum of programs not only to locate, remove and destroy unexploded ordnance and landmines, but also to address the UXO effects on health and livelihood of Vietnamese living in affected areas.

¶28. (SBU) Today, various NGOs conduct UXO and land mine clearance, risk education and victim rehabilitation. The USG has also donated a significant quantity of equipment to the PAVN to assist efforts in UXO and landmine clearance and return land to productive use. In 2006, the State Department provided USD 3.5 million to support UXO action and demining activities in Vietnam, almost a third of which went directly to PAVN in the form of donated demining equipment. FY08, an additional USD 2.5 million will be provided to underwrite

mine action related activities in Vietnam. For FY08, Congress dictated that approximately \$2.5 million be spent on demining programs, a substantial increase from the \$800,000 requested by the Administration.

Adoption Issues

129. (SBU) Baby and child buying are serious and troubling issues in Vietnam and in recent weeks have captured the attention of national - and international - media. In the meantime, Vietnamese authorities, stung by revelations of fraud and other abuses, are harassing our consular officers as they try to verify cases. We have informed the GVN that we will not renew the current bilateral

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agreement, which permitted the resumption of adoptions by American parents in 2006, without changes. This raises the question of whether adoptions will be permitted after September. The clear "way forward" for Vietnam is to accede to the Hague Convention on Inter-Country Adoption, which it says it wishes to do, as soon as possible. In the interim, we are working within the USG to determine our next steps.

Management Issues: New Embassy Compound, APP Danang

130. (U) The economic dynamism described above has pushed Vietnam to a stage of development where a significant number of people have the ability and desire to travel to the USA for pleasure, family visits or education. The impact of this economic shift is being felt particularly hard at ConGen HCMC where the total number of NIV applications processed has climbed by nearly 110 percent in just two years (2006-2007). The total number of student (F) visas is up a whopping 275 percent during the same period. Other consular units (immigrant visas, American Citizen Services, the Fraud Prevention Unit) have also experienced significant, albeit less spectacular increases in workload. Unfortunately, consular staffing at ConGen HCMC has remained unchanged during this period of continuing rapid increase in demand. ConGen HCMC's consular section is in need of immediate staffing increases. In addition, the consulate needs to start planning for physical expansion now since there are not enough interview windows to handle the rapidly growing volume.

131. (SBU) When we established diplomatic relations in 1995, Scot Marciel helped us find an "interim" building to set up initial operations and carry us through our first years. It was a good "fix" at the time. Thirteen years later, however, we're still there. As you know from your previous visits, our facilities are overcrowded, inefficient, insecure, and just plain ugly. The long term solution involves the construction of a New Embassy Compound (NEC), a "priority" deferred for over ten years. U.S. interests in Vietnam dictate that we create an appropriate platform in Hanoi for our diplomatic activities in this increasingly important nation. We recently received a counter-offer from the GVN that should provide the basis for further negotiations for the NEC land purchase. Even if our negotiations progress, it will be many years before we cut a ribbon on an NEC. OBO recognizes the need for expansion of our office space in the interim.

132. (SBU) State Department budget limitations will delay the scheduled opening of APP Danang at least until FY2009. Although we have not had formal negotiations with GVN officials regarding the opening of the APP, informal soundings indicate that they are quite receptive to the idea. We hope a way can be found to begin negotiations "in principle" with the GVN on new consulates. This will allow us to get necessary agreements in place before our side decides to begin allocating funds. Meanwhile, we also face critical space issues in Ho Chi Minh City. All agree, for example, that the Consular Section, which is experiencing rapid growth in workload, will soon be inadequate for our needs. Again, OBO recognizes this priority. The expansion of other offices in HCMC will also create issues in our rented space there.

What You Can Expect

¶33. (SBU) You can expect your interlocutors not only to be articulate and well informed, but also to speak in terms generally supportive of growth in the bilateral relationship. As noted above, lingering suspicions still exist among conservatives in leadership about the development of closer ties with the United States, and it will be interesting to see if your interlocutors feel the need to raise the U.S. court decision regarding the "Agent Orange victims." Nonetheless, I fully expect the overall tenor to be one of support and interest at a measured pace that will not upset the GVN's calibrated attempts to maintain balance among its other regional partners. Your upcoming trip to Hanoi will add momentum to our efforts to help translate those good feelings into measurable accomplishments in our bilateral relationship.

¶34. (U) Media interest in your visit is high, both among Vietnamese and international outlets. We are making arrangements for a press conference and, in addition to questions on the purpose of your visit and the results of your meetings, would anticipate questions on China, the DPRK, human rights and the arrest of several American citizens suspected of membership in an anti-government organization, one of whom remains in Vietnamese custody.

¶35. (SBU) Again, we look forward to your visit and stand ready to do everything we can to make your visit to Vietnam as productive as possible.

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